



Director of
Central
Intelligence

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National Intelligence Daily (Cable)

24 June 1982

Top Secret

CPAS NIDC 82-147C

24 June 1982

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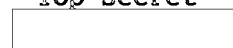
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EC-US: Protesting Trade Measures

//The EC foreign ministers on Tuesday protested recent US decisions to curb steel imports from Western Europe and to restrict further the sale of equipment for the Siberian gas pipeline.//

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//The ministers maintained in a joint statement that these policies break commitments undertaken at the summit meetings in Versailles and Bonn and that they are causing a substantial increase in tensions on trade issues between the US and EC members. Brussels is planning to contest formally the US interpretation of EC steel subsidies and to challenge alleged US subsidy programs such as the Domestic International Sales Corporation.//

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Comment: //The unusually grave tone of the formal joint statement and later statements by EC Commission Vice President Davignon confirm the EC intends to work against US trade practices. The EC apparently sees the steel and embargo decisions as unilateral US interpretations of international trade agreements and a sign of US indifference to efforts by EC countries to reorganize and rebuild their ailing steel industries.//

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//The EC will try to minimize the appearance of retaliation and accusations of protectionism by arguing its case before the GATT, the OECD and West European courts. The ministers' statement that the embargo on pipeline equipment hurts Community interests and is unlikely to be recognized in West European courts portends an early legal challenge to the application of the embargo by one country on the exports of another.//

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//The 10 EC leaders probably will criticize US trade policies further at the EC summit in Brussels on Monday. They also may set a timetable for additional specific actions against the US.//

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NICARAGUA: Extended State of Emergency

The Sandinista regime is using the state of emergency, which it has extended for another month until mid-July, to justify the continuing crackdown on the opposition and to mobilize and indoctrinate the population. [redacted]

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//Nicaraguan military units are still heavily involved in combating anti-Sandinista forces operating in the Honduran border regions. [redacted]

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Meanwhile, the government is continuing to harass moderate opposition elements. Another member of the Social Christian Party was arrested by state security forces last week on charges of counterrevolutionary activity. Six others have been in prison up to two months, and one is being held incommunicado. The regime recently also prohibited the party's president from leaving the country to attend a regional meeting of Christian Democrats in Ecuador. [redacted]

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Comment: The state of emergency, which was declared in mid-March, may go on indefinitely. Sandinista leaders have linked it to alleged US support of the insurgents and to the lack of progress toward negotiations with the US. [redacted]

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The intimidation campaign against the Social Christian Party probably will also continue. The party has become the most active moderate group in Nicaragua since the departure earlier this year of former junta member Robelo and many of his followers. Robelo has joined forces abroad with the former Sandinista hero, Eden Pastora. [redacted]

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GREECE: Labor Unrest

The government faces growing labor unrest and a more direct challenge from the pro-Moscow Communists. [redacted]

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Workers have begun to show frustration over rising prices. The most serious challenge has come from bank employees, who have been on strike for over three weeks. Communist and conservative labor leaders have banded together and refused to end the strike despite appeals from Prime Minister Papandreu and a pledge by employers to grant a 30-percent raise--more than the current inflation rate but lower than the union demands. [redacted]

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//Socialist workers reportedly are disregarding orders from their party leaders by participating in the strikes. [redacted]

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Ironically, the government introduced a relatively liberal labor bill in parliament in April that strengthens the right to strike and prohibits lockouts and summary firings.// [redacted]

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Comment: //The Communists are beginning to prepare for the municipal elections in October, and they probably hope to attract disgruntled Socialists by attacking the government on economic issues. They also may hope that public disappointment on the economy will spill over into foreign policy, but so far their efforts to influence Papandreu on such issues as NATO and the US bases have had little success.// [redacted]

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//Papandreu almost certainly feels pressure to show some progress on the economy. [redacted]

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INTERNATIONAL: Gold Price Drops

//The price of gold, which has been dropping almost steadily since January 1980, is approaching the average cost of production-- estimated at about \$215 an ounce for South Africa.//

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Comment: //A continued decline in gold prices would intensify South Africa's current account problems, possibly pushing its total deficit to over \$6 billion. This could require additional import restrictions that would aggravate the current economic slump. The decline also is likely to push Pretoria's budget deeper into the red and add to inflationary pressures.//

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//Gold prices could drop even further if the Soviets have to make further sales on the open market to raise hard currency to pay for imports.

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